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GOVERNMENT REGULATION OF RAILWAY RATES

The present paper has been written with especial reference to certain opinions upon the railway rate question, which have recently been given concise statement and wide publicity by Professor Hugo R. Meyer in his testimony before the Senate Committee on Interstate Commerce, and in his newly published book on *Government Regulation*.¹ Naturally these opinions have given rise to many inquiries regarding the credibility of the evidence presented in the testimony, and more fully in the book, and the attempt is here made to consider the character and validity of this evidence. If criticism is directed specifically against Mr. Meyer's work, it is nevertheless fully appreciated that others find themselves more or less in agreement with him in his conclusions, and it is as a discussion of issues of general concern that the following review is undertaken.

Mr. Meyer's book as a whole gives evidence of a great deal of hard work. The author has gone through much material in order to select what is included within the pages of the volume. It is written in an attractive, clear style, to which the author's convictions and feelings add vigor.

Perhaps it should be stated at the outset that the author of the book has never visited the European countries whose institutions he partially describes, and at times assails so vehemently, as the following extracts from his testimony before the Senate committee will show :

SENATOR CLAPP: May I ask whether you have made a personal examination of the conditions of Germany; and, if so, how lately?

MR. MEYER: I am familiar with the situation down to the present day by means of the study of all of the official statistics published by the several governments, and by means of a study of the parliamentary debates, and by reading the reports of chambers of commerce and matters of that kind. The

¹ *Government Regulation of Railway Rates: A Study of the Experience of the United States, Germany, France, Austria-Hungary, Russia and Australia.* New York: The Macmillan Co., 1905.

work itself has been done here, but I have used precisely the same material that I should have used had I gone to Germany.

SENATOR CLAPP: Your statement will not rest upon what you have actually seen personally of the workings?

MR. MEYER: No, sir; if you mean by "personally" that I have not seen the trains moving in Germany; but I have read the statements made in Parliament by the persons whom I should have been obliged to consult if I had wanted to make a personal investigation.

If the author had ever made inquiries on the ground, the first half of his book would perhaps never have been written; or, at least, its pages would probably have reflected a more judicial spirit.

In the first paragraph of the preface the author states that he began this study, some twelve years ago, "with a strong bias in favor of state intervention in industry." "Bias" is a refractory medium, against which Herbert Spencer and many others have warned people. A scientific student begins an inquiry, not with bias, but with a free and untrammelled mind. He collects all available data, and draws conclusions in the direction of the weight of evidence, and keeps his mind open for new evidence. The statements of facts of a student are given completely and without color or artifice, so that anyone who may interpret the given facts differently may draw different conclusions. Professor Hugo R. Meyer began, as he says, with a "strong bias" in one direction. He ended with a stronger bias in the opposite direction. "Bias" is the unifying principle of his book.

The first two hundred pages, comprising the smaller half of the book, are devoted to government regulation of railway rates in foreign countries, while the second half is devoted to the United States with numerous allusions to foreign experience.

The author's general method of treatment is illustrated by what he says about the milk supply of the city of Berlin. On p. 156 of his book he says:

And within the city limits of Berlin one can count, and smell, upwards of 14,000 cows, kept there to supply the population with milk that the railways are not allowed to bring from a distance.

On p. 387 he says:

In Germany they have no group rates on milk. And in the year of our Lord 1902 the firm of von Bolle was stabling within the city of Berlin 14,000 milch cows, which supplied milk to 50,000 families. In addition, there were in the suburbs of Berlin hundreds of dairies, each one stabling a considerable number of milch cows.

In his testimony before the Senate committee, May 5, 1905, he said:

Berlin is a city of upward of a million and a half people, and one single dairy firm is stabling today within the very city limits of Berlin 14,000 cows; and there are hundreds of other dairy firms stabling within the limits of Berlin considerable numbers of cows. . . . The health of hundreds of thousands of people is endangered by the presence of these cows. The price of milk is kept at a materially higher price than it would be if they had refrigerator cars and the group-rate practice, and you could bring milk into Berlin from farms hundreds of miles away. The consumers of Berlin would be infinitely better off.

In substance, these statements were also contained in contributions to railway journals.

Now, what are the facts?

During the latter part of March, 1905, I visited Bolle's establishment in Berlin, in order to satisfy myself that the pasteurized milk which our son was getting was being properly prepared. I noticed no "smells," and saw not one of the 14,000 cows. (People who live in glass houses should throw no stones. Think of a citizen of Chicago preaching to Berlin on "smells" and danger to health!) A little over two months later my attention was called to Hugo R. Meyer's sensational testimony. Having been unable to pay a second visit to Bolle's establishment, I later addressed a series of questions to Mr. Bolle, referring to the Meyer testimony, which he kindly answered in writing, and from which I quote the following:

1. At present I keep no cows in Berlin, but in a model dairy in Marienhahn near Köpenick I maintain 150 cows.

2. According to the last census, the total number of cows in Berlin and adjacent suburbs is between ten and eleven thousand.

3. There exists no causal connection between the railway rates on milk and the number of cows maintained in Berlin.

4. Berlin requires about 600,000 liters of milk daily, and of this amount approximately one-sixth is produced in Berlin (and suburbs).

On p. 387 of the book under review is a reference to the *Zeitung des Vereins deutscher Eisenbahnverwaltungen*, which is given as authority for the statement regarding "von" Bolle's dairy. The *Zeitung* referred to contains an article on the history of the development of the milk traffic. In the opening paragraph of the article the writer states in a casual way: "In Berlin soll die bekannte Molkerei von Bolle einen Bestand von 14,000 Milchkühen haben." This is obviously not given as a statement of fact, but merely as a matter of report or hearsay, which our author's "bias" at once appropriated as a fact. It will also be observed that the "von" before the name Bolle is not a title. This great dairyman signs himself simply "C. Bolle." Our author has clearly misconstrued the entire sentence quoted above. But this is not all. The article in the *Zeitung* gives, among other things, a summary of the railway regulations governing the milk traffic. In the course of the discussion the writer describes the small beginnings of the milk traffic in shipments of single cans in baggage cars, and its growth into shipments in milk cars and milk trains. He mentions a plan for shipping milk from Hannover to Berlin, a distance of 172 English miles. Men like Bolle favor an increase in the long-distance milk traffic. Commenting upon these various matters, the writer in the *Zeitung* says that the requirements of the agricultural and dairy interests have been met in a most satisfactory manner, and that an experience of twenty years has met all demands reasonably well. I should like to ask the author of the book under review whether due respect for fair play and truth and a slight realization of his duty as an academic man, should not have impelled him to give a hint of these things to his American readers, instead of garbling a single sentence from the article and offering it to Americans as a statement of fact when the writer of it expressly put it forward as a matter of report or hearsay, in a manner entirely incidental to the main purpose of the article, of which our author leaves his readers in complete ignorance. There is enough to be said on all sides of the railway problem without resorting to practices of this kind. After the author of the book had published his essays on German

railways in the *Railway Age*, during 1903, I requested a competent Prussian traffic man to write a reply to the same. My German friend answered, in substance, that in order to make the corrections to Professor Hugo R. Meyer's essays intelligible to foreign (American) readers, it would be necessary to draw a number of detailed maps of Germany and write a dozen volumes of description and fact. What I have found it necessary to say regarding the Bolle dairy certainly bears out this statement.

Suppose a German student were to send for American newspaper articles, speeches, and reports relating to the canal policy of the state of New York. Suppose he were to go through this material and cull out all those expressions which give support to his "preconceived" theory that American railways have failed to meet the needs of commerce and trade; and, in order to touch the climax of his arguments, tell his German readers that the expenditure of over \$120,000,000 on the part of New York state, approved by popular vote, is final and convincing proof of the inefficiency, incompetency, and mismanagement of the New York Central & Hudson River Railway! This is exactly what our author has done for American readers with respect to Prussian railways. He argues that because the German railways have not paralyzed or annihilated the waterways, as he says they have paralyzed German industry, they have been a failure. The downtrodden and long-suffering German manufacturer has been compelled to fall back upon canals and rivers in order to create competition for the railways which shall compel them to make rates under which commerce and industry can live! In almost the same breath we are told that the German government has paralyzed the railways, that the railways have paralyzed industry, that there has been a "huge increase in the volume of the traffic" of the railways, and that the canals and waterways, not the railways, have created the modern industrial Germany which has won the admiration of all the world! Except the conflict of sectional interests, to which I shall revert presently, the competition of waterways for the reduction of rates and the general salvation of industrial Germany is the most pivotal point in the

book; and to this point the author returns again and again as the touchstone by means of which he can establish any particular bias.

What are the facts?

I desire to state in advance that I am by no means a supporter of the Prussian canal policy, any more than I can approve the canal policy of New York. Artificial waterways, however, present a very different problem from natural waterways; and I have no right to let my personal convictions and opinions on the matter of artificial inland waterways in general stand in the way of a truthful presentation, so far as I am able, of facts of German railway history. To attribute the revival of canal-building in Prussia to the failure of the railways and to the necessity of creating competition for lowering rates is, in reality, to argue that the Prussian government is creating a second monopoly in order that it may regulate the first. The Prussian government has a monopoly of towing (*Schleppmonopol*) on three canals, and motor boats cannot be operated upon them without the permission of the government. The aim of this is to bring about unified management of waterways and railways. A strong movement is on foot to make all canals and improved streams government monopoly. The thirty-first annual meeting of the *Deutscher Handelstag*, or trade parliament, representing 130 chambers of commerce, in February, 1905, adopted a series of resolutions relating to canals and streams, from which I select the following as indicative of the situation which has to be met in the Prussian state and German federal legislatures:

1. The towing monopoly shall not be extended into a general monopoly of operation.
2. The monopoly of the government shall not be extended to other waterways.
3. The monopolized waterways shall be kept open to private boats which provide their own motive power.
4. The fees for towing shall not be higher than is necessary to cover fixed charges and provide for a sinking-fund.

There is much more in the resolutions, reflecting nearly every important factor in the present situation, but this is sufficient to

illustrate one phase of the canal question in Prussia. The canal policy of Prussia proves absolutely nothing regarding governmental control of railway rates. So radical a paper as the *Frankfurter Zeitung* favors the government monopoly of canals. The minister of public works has submitted statements showing, for instance, that the canal from Dortmund to the Rhine will cost much less than a fourth track on the present railway right-of-way would cost. It is imperative that something shall be done. Competent men hold that for certain kinds of traffic waterways are cheaper than railways can ever hope to be. Others dispute this. The present Prussian canal projects probably rest more upon military considerations and the personal wishes of Germany's energetic emperor than upon any other single factor. The author is right when he criticises the political bargaining which has characterized the parliamentary history of the canal projects of the last ten or twelve years, but he errs when he attributes this to the alleged failure of the railways. In fact, if the author had really studied one of the references which he gives on p. 109 (*Schmoller's Jahrbuch*, Vol. XXIV, No. 3), he would have learned that what he ascribes in this instance to Prussian railway administration is only a part of the entire political system of the state, which is attributable to the railway administration only in so far as this constitutes a part of the system of Prussian administration as a whole. One might as well attribute the recent cabinet changes in England to English railway management as to take the position the author does, in this instance, regarding Prussian railway policy. Professor Gustav Schmoller is the author of one of the essays referred to on p. 109. I would respectfully suggest that Professor Hugo R. Meyer request Professor Schmoller to publish a few paragraphs stating his opinion regarding this part of the book under review. Furthermore, Professor Hugo R. Meyer gives no specific reference in this, as in so many other instances, thus tending to convey the impression that eminent scholars like Schmoller support his views. The book abounds in such general references. On p. 31, where Professor Meyer discusses opposition to the principle of what the traffic will

bear, he refers to Ulrich's *Staffeltarife und Wasserstrassen*. This is a book of 234 pages, and the specific reference should have been given, for on p. 76 Ulrich states that freight rates on waterways regard the value of goods much less than railway freight rates do; and on p. 138 Ulrich says that gains in traffic on artificial waterways are largely attributable to the unequal treatment by the state of railways and waterways, favoring the latter by not compelling them to earn interest on the investment. On p. 67 the author refers to an essay of 247 pages, without indicating the exact place. On p. 7 he gives a general reference to a review of a book on the "statistical description of the city of Frankfurt on the Main." I have by no means tested all his references, but I have found so much unreliability in those which I have examined that I am convinced that the book is untrustworthy also in this respect. The author attributes the concentration of the population in Germany to the mismanagement of railway traffic, but the comparative statistics of urban and rural population of the United States and Prussia show proportionately a greater percentage of increase in the urban population of the United States than of Prussia, during the railway era. We should be justified in ridiculing anyone who would venture to explain the growth of urban population solely by bad railway management, but that is what the author has suggested for Prussia. He seems to regard it good logic to consider mere coincidences as causal relations, and to explain complex phenomena by a single cause, namely, government rate-making.

In the opinion of Professor Hugo R. Meyer, the conflict of sectional interests continually results in deadlocks which prevent changes and reductions in rates. Such a conflict of interests exists in Prussia. It exists also in the United States. In Prussia all these conflicts take place in the full light of publicity. The proceedings of councils and committees and the legislature reveal every phase of every railway-rate question which is brought forward. A decision is finally made, and the defeated party or interest naturally feels dissatisfied and complains. By accumulating utterances of the discontented for a quarter-

century back, the author has constructed his indictment of the Prussian system. He has exaggerated the idea of conflict, and omitted a proper presentation of the many published proceedings which show nothing but earnest discussions aiming at the truth in the matter and a rational decision. If we had proceedings of this kind in the United States, we should be able to read of the same conflict of interests, only sometimes greater and more severe; the same discontent and complaints, as well as many others which have long been forgotten in Prussia, or which have never existed there. In Prussia every interest, no matter how small, has an opportunity of being heard, publicly, on every railway question which affects it; and the decision is made public and known to all. In the United States only the strong and importunate ones are sure of consideration; there are no public deliberations; there is no public decision. Little or nothing may become known to those who would profit by such knowledge.

The author makes much of political rate-making and politics in the Prussian railways. In a large way politics do enter transportation questions, especially with reference to export and import trade. Germany has a protective tariff, and railway rates are adjusted in harmony with the tariff policy of the state. The tariff laws of the United States are negated every week when railways carry imported articles from seaports to inland cities at a fraction of what they will carry the same domestic product for. Men differ on the tariff policy. But if a tariff law stands on the books, who can justify its violation through the instrumentality of a through rate from a foreign point of origin to a domestic point of destination? The author criticises the Prussian railway administration for making rates in harmony with the export and import policy of the country! This is the only sane policy, and it requires no extended arguments to prove it. A tariff law, like every other law, should either be obeyed or repealed, and not circumvented.

In the invidious American sense of the word, the Prussian railways are most emphatically not in politics. There are no paid lobbyists, no subsidized newspapers, no partisan publication bureaus, no "rake-offs." I have been able to discover only one

instance of dishonesty and faithlessness; and that was a case of a subordinate employee who had appropriated railway scrap to his own uses. The case was tried only a few months ago. The man was sentenced to the penitentiary for a term of five years. Who will venture to say what would happen if the books of the American railway companies were to be subjected to the tests of the Prussian, with the same consequences in the courts? In all the testimony taken before the Senate Committee on Interstate Commerce I do not remember having seen a single statement something like this:

Question: "Mr. —, does your road discriminate?"

Answer: "No, sir."

Question: "Mr. —, do you pay rebates?"

Answer: "No. And I wish to say to you, Senators, that if you desire to convince yourselves of the truth of my statements, I cordially invite you to appoint expert accountants to investigate the books of my company."

With all due respect to our railway officials, I cannot help wondering why it is that not one of the many witnesses ever thought of making this suggestion, in order to set at rest this vexing question. There is still time to volunteer before Congress gets through with the consideration of railway legislation.

One of the most astonishing chapters in the book is that relating to "Railway Revenue and Technical Efficiency." The author pronounces the verdict of technical inefficiency on the Prussian railways; and the only proof which he offers is the use of small freight-cars, small trainloads, and that the railways have not killed off the waterways. Prussian officials are incessantly in search of improvements. They send experts into all parts of the world for new ideas. I had supposed that, all in all, the Prussian railways represented the very height of technical advancement, and I have never heard a word to the contrary from anyone who has actually made an investigation. The author might have considered the safety of Prussian railway traffic, and the block system; the splendidly constructed and maintained railway stations in large and small places; the systematic and orderly arrangement of every branch of the service; the comparative regularity of trains; the frequency of

passenger traffic; the splendid financial results of operation, and a hundred other things. Not counting the millions which the Prussian railways have paid in taxes to subordinate political units, averaging during the last five years almost exactly 13,000,000 marks, or about \$3,250,000, annually, they have paid into the state treasury more than enough to pay off every cent of railway indebtedness, including interest, leaving the great system of over 20,000 miles with all equipment as a net asset in the hands of the state. This, too, in spite of the fact that unprofitable branch lines have been constructed which private capital probably never would have attempted, and that no account has been taken in the present approximate estimate of the interest on the aggregate of one thousand millions of dollars (\$1,000,000,000) which has been taken out of net earnings year by year for general state expenses since 1882.

The production of such vast surplus earnings has given rise to criticisms about the level of rates, the critics maintaining that the entire surplus should go to trade and industry in the form of reduced rates, while the supporters of the administration hold that the original promises when the state acquired the roads did not imply that *all* these benefits should flow to commerce, but simply that rates should be reduced and that industry should be well served. Important reductions have been made, as is shown by tables published in the *Archiv für Eisenbahnwesen*, January–February, 1905, pp. 96–100;² but still greater reductions could be made, so far as the financial ability of the railways is concerned. The net surplus from operation, according to the budget for the year 1905, after all

²The following extracts from this article upon "The Development of Freight Rates on the Prussian-Hessian State Railways" may be cited, as indicating the extent of these reductions:

"In the course of time the classification of 1877 has been greatly modified. A large number of items were added to the classification, while many others were taken out of a higher and placed into a lower class." The reductions in rates effected in this manner were as follows:

1. In the case of articles taken out of carload class B into special tariff I 25%
2. In the case of articles taken out of carload class B into special tariff II 42%
3. In the case of articles taken out of carload class B into special tariff III up to 63%
4. In the case of articles taken out of special tariff I, class B, into special tariff II 22%
5. In the case of articles taken out of special tariff I, class B, into special tariff III up to 51%
6. In the case of articles taken out of special tariff II, class B, into special tariff III 26–37%

["Special tariffs" correspond to American commodity tariffs, I standing for

expenses and interest charges have been paid, including new equipment, construction, special funds, etc., is about \$120,000,000. A reduction in rates amounting to \$120,000,000 would indeed make itself felt! But the Prussian state, like all modern states, is a unit; and the practical question is: "Considering the concrete conditions under which this state exists, shall we raise \$120,000,000 by means of a higher rate of taxation, or shall we raise it through the medium of the railway rate?" This is the fundamental question which the author does not bring into the horizon of the book.

finished products, generally speaking; II, for intermediate products; and III, for raw materials.]

In 1878 special [or commodity] rates embraced 160, and in 1904, 364, items, distributed as follows:

	Sp. T. I	Sp. T. II	Sp. T. III
1878.....	70	50	40
1904.....	97	95	172

These figures show the movement downward into the lower classes.

The greater part of the freight traffic—more than 60 per cent. of the total ton-mileage—was carried at commodity rates and not under the normal [class] tariff.

It is difficult to express statistically the financial effects of the reductions which have been made in the special tariffs in the course of time. In the case of the more important reductions an attempt was made to calculate the amount on the basis of the volume of traffic for the preceding year. For instance, the reduction made in 1890 on the rates for raw materials amounted to 1,500,000 marks; on fuel, in 1897, 12,000,000 marks; the 20 per cent. reduction on fertilizers in 1895, 2,350,000 marks; the emergency rates on ore and coke [in three districts] in 1886, 1,560,000 marks; the readjustment of rates on ore and coke in 1893, 2,570,000 marks; and again in 1901, 3,200,000 marks; introduction of the export rate on sugar in 1901, 1,100,000 marks; ore rates [in certain districts] in 1902, 723,000 marks; etc.

The following tables are chosen to illustrate reductions in the rates on a few important commodities.

I. ANTHRACITE COAL AND COKE

A. RUHR DISTRICT

	Rate per Ton in Marks		Per cent. Reduction
	1879	1903	
Essen to Hamburg	7.6	5.6	26.0
Essen to Magdeburg	10.0	8.6	14.0
Essen to Berlin	11.5	10.3	10.4
Essen to Cologne	3.2	2.4	25.0
Essen to Siegen	4.5	3.8	15.6
Oberhausen to Wesel	1.61	1.3	19.0
Bochum to Siegen	4.0 (1883)	3.1	22.5
Bochum to Esch	8.60 (1881)	7.6	12.5

During the same period the coal traffic rose from 20,309,311 tons to 65,583,430 tons, or over 223 per cent.

The matter of the size of the cars and train loads is one that affects all Europe. It has been discussed with much zeal on both sides in England. The author does not say that the English railways are technically inefficient because they use small cars. He says absolutely nothing about England, although, from the point of view of government control, English experience is especially valuable to the United States. During the early part of 1903 calculations published in the *London Times* showed that the freight carried in 458 ordinary London & Northwestern freight-cars could have been hauled in 322 thirty-ton American cars, but that the tare weight in the latter instance would have

B. UPPER SCHLESIEŃ

	Rate per Ton in Marks		Per cent. Reduction
	1879	1903	
Königshütte to Breslau	6.76	4.53	33.0
Königshütte to Stettin	11.10	7.53	32.2
Königshütte to Berlin	11.65	10.52	9.7
Königshütte to Königsberg	15.9	10.81	32.0
Königshütte to Posen	9.30	7.46	19.8
Chorzow to Kreuzburg, O.-S.	5.00	2.99	40.2
Chorzow to Ostrowo	8.50	4.91	42.2

The coal traffic rose from 8,909,903 tons to 25,265,147 tons, or over 183.5 per cent.

C. LOWER SCHLESIEŃ

	Rates per Ton in Marks		Per cent. Reduction
	1879	1903	
Waldenburg to Berlin	7.35	7.35	5.0
Waldenburg to Görlitz	3.55	3.55	12.0
Waldenburg to Dresden (1884)	5.98	5.98	11.0
Waldenburg to Breslau	2.32	2.32	25.2
Waldenburg to Bunzlau	3.32	3.32	22.8

The volume of traffic rose from 2,287,084 tons to 4,920,180 tons, or over 115 per cent.

D. SAHR DISTRICT

	Rate per Ton in Marks		Per cent. Reductions
	1879	1903	
Luisenthal to Mettlach	2.2	1.6	27.0
Luisenthal to Trier	3.0	2.5	17.0
Neunkirchen to Bingerbröck, trans....	3.1	2.85	8.0

The coal traffic rose from 4,558,832 tons to 10,144,065 tons, or over 124 per cent.

been 4,669 tons, as compared with 2,199 tons in the former. I do not know whether these figures are unassailable. English and Prussian railway administrations are introducing larger cars as fast as they think it feasible, but mere "bigness" does not turn their heads. I express no opinion upon this subject. I am satisfied to leave that to the operating experts, but I believe that American readers should know that English railway officials, like those of Prussia are not at all agreed upon the size of freight-cars; and that these officials dwell upon their short distances and the retail nature of their traffic, as compared with the great distances and the wholesale nature of the traffic in the United States.

In his annual message for 1904, President Roosevelt said: "I am of the opinion that at present it would be undesirable, if it were not impracticable, finally to clothe the commission with general authority to fix railroad rates." Every citizen of the

II. IRON ORE.

	Rate per Ton in Marks		Per cent. Reduction
	1879	1903	
Stettin to Königshütte	12.4	7.10	43.0
Danzig to Königshütte	13.6	7.6	44.0
Schmiedebrod to Königshütte	8.0	5.0	37.5
Niederschelden to Bochum	3.7	2.3	38.0
Dillenburg to Bochum	4.7	2.9	38.0
Havingen to Bochum	8.1	5.4	33.0
Esch to Bochum	8.1	5.3	34.0

III. PIG IRON

Königshütte to Berlin	12.2	9.7	20.0
Königshütte to Breslin	5.2	3.4	35.0
Königshütte to Steitin	12.4	9.9	20.0
Königshütte to Posen	8.4	6.1	27.0
Bochum to Berlin	12.1	9.5	21.0
Bochum to Dusseldorf	2.5	1.8	28.0
Bochum to Cologne	3.6	3.1	14.0
Bochum to Hamburg (foundries)	9.2	7.4	19.0
Bochum to Hamburg (export)	9.2	8.3	10.0

During this period the production of pig iron rose from 2,226,587 tons to 10,017,901 tons, or over 350 per cent., while the price of rails fell from 143 marks in 1879 to 116 marks in 1903 or 19 per cent.

[Three other tables are presented showing reductions ranging from 28 to 54 per cent., with an increase in the volume of traffic as high as +549 per cent.]

The freight traffic on the Prussian state railways rose from 8,903,091,000 ton-kilometers in 1879 to 25,059,080,000 ton-kilometers in 1902, or an increase of 182

United States knows, or ought to know, how the President stands on the commission question. Suppose the above sentence were to be quoted in a German book to convince readers in Germany that President Roosevelt was opposed to the regulation of rates through commissions. Quotations from Bismarck, Miquel, Thielen, and others can be used in the same way. Jencke is, I am reliably informed, an ardent supporter of state railways, but as the representative of a great private interest he has uttered complaints. These our author seems to have discovered.

I wish to say a few words regarding the opponents of the Prussian railway system in Germany. In the sense in which I understand the author to represent the opposition, I could find none of consequence in Berlin, and I inquired diligently among all classes of people. No doubt one can discover cases of discontent, but relatively the discontented class is a negligible quantity and immaterial. I had interviews with the only parliamentary leaders who, as far as I could learn, ever express serious criticisms; also with the editor of *Die Nation*, quoted by the

per cent. The density of traffic rose from 443,860 ton-kilometers per kilometer of lime in 1879 to 853,068 ton kilometer in 1902, or 92 per cent. The gross revenues rose from 378,749,000 marks in 1879 to 897,132,000 marks in 1902, or 137 per cent.

[The above figures include statistics for secondary railways.]

The following table shows the percentage increase in the volume of traffic on German railways between 1885, the first year for which comparative statistics are available, and 1903:

Commodity	Percentage of Increase	Commodity	Percentage of Increase
Fertilizers	405	Iron goods.....	241
Potatoes.....	194	Pig iron.....	178
Flour and mill stuffs.....	190	Cement.....	418
Beets.....	168	Lime.....	224
Refined Sugar.....	173	Stone.....	247
Lumber.....	126	Glass and glassware.....	193
Cordwood, ties.....	145	Clay products.....	137
Hard coal and coke.....	117	Wood products.....	224
Peat, etc.....	184	Paper and card board.....	289
Iron ore.....	189		

"The foremost consideration of the state railway administration is at all times the care of the interests of the general traffic, the promotion of the economic life of the country. If the administration, without neglecting these, through the exercise of a circumspect business policy, has been enabled, in the course of time, to place considerable sums at the disposal of other departments of the government, which would otherwise have necessitated increased taxes, opinions may differ with respect to the limits to be observed from the point of view of the financial policy of the state. Yet, in any event, these sums have benefited the whole country, the entire body of taxpayers, and they have been expended for public purposes and the common weal, instead of dividends for private stock companies, as was formerly the case."

author, who has criticised the railway administration; members of the chamber of commerce; several great merchants; and others. To repeat all that these men said to me would require a series of articles. Among other things, I asked of each of them this direct question: "Is there anything of consequence in the railway experience of Prussia which could be construed as an argument against effective control of railway rates in the United States?" Everyone of them answered with an emphatic "No." When I told one of them that the utterances of parliamentary leaders like himself were being used in the United States to influence public opinion against President Roosevelt's railway policy, he pronounced such attempts as dishonest and insane. With much feeling he said that, in the light of the experiences of the past, no man of sense could today advocate a purely individualistic policy in dealing with the railways, and that the only question which could be rationally discussed was that of "strictest governmental control of rates or state ownership." He believes in the former. Nearly all Germans hold to the contrary. I have always opposed government ownership for the United States, for reasons which I cannot advance here. But I have always felt, too, that this was no reason why I should refuse to recognize the merits of the Prussian system. It is not necessary to prove state-owned railways of other countries a failure in order to demonstrate the present impracticability and undesirability of government ownership of railways in the United States. Our author stands upon the let-alone platform of Adam Smith, apparently unmindful of the fact that the world of today is very different from that which caused Adam Smith to formulate his individualistic doctrines. It is no longer open to debate that new conditions require new laws. At the recent meeting of the American Economic Association at Baltimore, Professor Meyer declared that originally he started out to "preach socialism," but that he became thoroughly converted to the doctrine of *laissez faire*. The partisanship and misrepresentations of his book are likely to do more for the spread of socialism than any direct efforts of his to "preach socialism" would have done.

The brief chapter on France has all the characteristics of the discussion of German conditions. Here, as elsewhere, there is wanting a fairly adequate presentation of the French system of control as it actually exists. Here, as in most parts of the book, the references are very general or entirely wanting. The author quotes, for instance, Colson's *Transports et tarifs* a number of times without specifying the page. Colson is good authority. This one of Colson's volumes contains nearly 700 pages. Colson is diametrically opposed to the author in his views regarding government control in France; yet he is apparently quoted as siding with the author. The author might have referred to pp. 348, 350, 363, 366, 666, and scores of other places in *Transports et tarifs* where views very different from those of the author are expressed. In one place (p. 363) Colson comments upon the power of the French government to approve or disapprove rates made by the companies. This arrangement he characterizes as a "very happy" one. Every student of transportation knows Dr. Richard von Kaufmann's two-volume work, of over 800 pages each, on French railways, in which, it may be remarked incidentally, he has criticised Prussian railways. Von Kaufmann has made the study of French railways practically his life-work. He spent years in going through the documents and in conferring with all classes of people with reference to the subject of his inquiry. In the concluding pages of his work (Vol. II, German edition, pp. 563, 693, 824-31) he gives a most appreciative summary of French experience. In extended conversations with von Kaufmann he emphatically repudiated the allegations of Professor Hugo R. Meyer. He was unqualified in his approval of strict government control of railway rates in the United States, the wisdom of which policy, in his estimation, the experience of France conclusively demonstrated.

Among the other countries treated in the book under review, the discussion relating to Australia appears to me to come nearest the mark; but, in the light of other things the author has said, I prefer to suspend judgment regarding Australian railways until I can learn more from someone who has studied

them without "a strong bias." Russian railways have been constructed and managed largely from a military point of view. They have been rich in deficits; and there is much to criticise. But most people will be surprised to learn that government rate-making in Russia **has not only** paralyzed the Siberian railway, but also created the unfortunate conditions prevailing in that country (pp. 179, 180, 186, 452)! "Had the Roumanian farmer in 1902 been served by modern railways, the wheat which he raised would have brought him upward of 7 per cent. to 14 per cent. more than it in fact brought him" (p. 146.) I should like to ask: If, when Columbus discovered America, the American Indians had been served by trans-continental railways, what would the price of Indian corn, potatoes, and wampum have been, and what would have happened to Columbus? If every Dakota farmer had a locomotive and a steamship, how much more would Dakota wheat lands be worth?

The author reaches his highest level in the first four chapters of the second part of the book, which is devoted to the United States. He has thorough control of his selected facts, and stands commanding in the arena like a masterful controversialist. If one could eliminate from the chapters on "The workings of Competition" and "The Adjustment of Railway Rates" the author's aspersions regarding the Interstate Commerce Commission, and his partisan flings at the railways of Germany and government control of rates in general, I should unhesitatingly say that these chapters represented the best account of the influence of sectional or territorial interests on railway rates which has yet been written. The great work which American railways have accomplished in developing our resources is fully acknowledged. The abuses which have crept into the business, many of which still persist, the author regards, as a rule, as mere "pains of progress." It being assumed that American railway practices have been generally "beneficent," the question of how many of these "pains" were really inseparable from progress is not seriously discussed. For instance, in only one place (p. 301) is there the slightest intimation that there can be anything wrong connected with the basing point system. I

have heard quite a few railway men say that they were not at all enthusiastic about the system of percentage grouping (p. 290). What the author says about this system is excellent, but if he had included some statements from people who believe that they have not been located in the correct group, the reader of the book would get something to which he is fairly entitled, before making up his mind with respect to the merits of the system. The reliance of the author upon competition is something inspiring in these days when eighteenth-century theories rarely appear in living form. No railway world could be better, he seems to think, than that which has been developed in the United States under the competitive régime, free from the shackles which the Interstate Commerce Commission would have enjoyed putting on the roads. The Supreme Court of the United States is cited many times for the purpose of showing that the Interstate Commerce Commission has been in error. The author has scarcely a redeeming word for this commission. No one would suspect from what the author says that the Interstate Commerce Commission has ever uttered one word regarding what were, in its estimation, undesirable effects of certain decisions of the Supreme Court. Now, the Interstate Commerce Commission may have been all wrong in what it has thus said, but it would seem that the reader should know that such ideas had sometime been expressed by the commission. I know of no student of transportation who does not regard the application to railways of the Sherman Anti-Trust Law, the Trans-Missouri, the Joint Traffic, and a number of other decisions of the Supreme Court as matters of grave concern. But the mention of such things is unnecessary when it is the purpose of an author to show how foolishly the Interstate Commerce Commission has always decided! It is alleged that the inevitable rule of railway commissions is a distance tariff, but there is in this book no authoritative statement of such tariffs in the thirty odd states in which commissions exist; nor a word regarding the distance tariffs which railway companies apply. The Interstate Commerce Commission has distinctly not committed itself to a distance tariff, although persons familiar with

traffic matters believe that distance has often been too much disregarded. In fact, the author seems to assume that the rates prescribed by commissions are always the very worst conceivable, while rates made by railway officials are uniformly the very best possible. The unrestricted activity of railway officials in controlling the transportation of this country is, in the estimation of our author, the best guarantee of progress; because these men, the author believes, are the most reliable interpreters of "the established law of our country and the genius of our institutions." It is my pleasure to know a considerable number of the greatest railway men in the country. I yield to no man in my admiration for the great work which they have done; but, as a free citizen, I am unwilling to place the destiny of my own life, of my community, and of my state in their hands without reserving the right to have their mandates modified, and, if necessary, tested before an impartial tribunal with power to act promptly.

I devoted so much space in the first part of this review to foreign railways that it is necessary to be thus brief on what the author says regarding the United States. I wish, however, to add another word. Suppose all the allegations regarding the stupidity and mechanical action of foreign governmental authorities having in charge the regulation of railway rates, as depicted by the author, were true, what has that to do with the real question before the American people, which is the protection of those interests which now suffer as a result of arrangements and practices connected with railway transportation? The people of the United States have a railway problem of their own, which they must solve in their own way, under conditions which prevail in this country; and no discussion of foreign questions, valuable as it may be, should permit us to have our own problems obscured.

Shall we be content to leave the adjustment of hundreds of thousands of transactions to the one-sided methods of purely private action? I care not how conscientious and diligent a traffic manager and his assistants may be, they are bound to make mistakes, and those who suffer in consequence have not

always the power or opportunity to secure a recognition of their just rights. An impartial, competent commission, clothed with adequate powers, is exactly what is needed to meet such contingencies. The author's let-alone policy has long been discredited. Governmental regulation of railway rates is the only alternative to government ownership, which is still open for discussion. I am in favor of the first alternative.

In conclusion, I wish to say again that I undertook this review reluctantly. It has not been pleasant for me to say some of the things which I felt it was my duty to say. It was distressing to observe how often a splendid page or chapter of the book lost much of its value because of the apparent partisanship of the author. On the whole, it is not much of an exaggeration to say that Professor Hugo R. Meyer's book bears the same relation to a scientific study of transportation that *Coin's Financial School* bears to a scientific study of money and banking.

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